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THE OFFICE OF MARKETS OF THE UNITED STATES DEPARTMENT OF AGRICULTURE

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Chief.

Congress at its last session made an appropriation of \$50,000 to enable the Secretary of Agriculture to acquire and diffuse among the people of the United States useful information on subjects connected with the marketing and distribution of farm products and for the employment of persons and means necessary to accomplish these purposes. The Secretary of Agriculture, a highly trained economist, and the Assistant Secretary, under whom, as Chief of the Bureau of Plant Industry, many valuable investigations in handling, marketing, transportation, and storage of farm produce have been initiated, determined upon the establishment of an Office of Markets as the most direct way of attacking the existing problems. This new division in the Department of Agriculture was actually established on May 16, and as its chief the writer was directed to formulate a plan of procedure. The officers of the government realized fully the difficulty of modifying even in the direction of improvement the complex commercial organism through which crops pass from producer to consumer. They also know sufficiently well how hard and long a task it will be to bring about the general adoption of the principles of coöperation and their application to the economic problems of country life. But the mere fact that a thing is difficult will never justify or excuse failure to tackle a problem upon whose proper solution depend in a large measure the comfort and well-being of a major part of our population.

There is no one principle, the correct application of which will cure the present difficulties of distribution and marketing. The problem as a whole is one of articulation. The farmer producer must be brought into more direct touch with the manufacturer of industrial products or with the ultimate consumer in the case of food products. Furthermore, agricultural production must be more carefully adjusted to market demands than is now the case. It is unlikely that immediate results in the way of large money returns can be realized through such work. Certain specific and almost elementary things must be

taken up first. These may, in a small way, yield immediate results. Beyond this the facts will first have to be determined and we must then proceed with them as a basis.

The following paragraphs outline briefly some of the many lines of work that will be undertaken as soon as possible.

1. The Study and Promulgation of Market Grades and Standards

A common language for both producer and consumer is the first essential to a satisfactory contact between them. When a man orders something from the country producer he must know, within reasonable limits, what the producer proposes to deliver to him. Grades and standards are an absolute necessity. They should be as nearly universal in their application as may be possible for each crop. Multiplicity of standards causes confusion and gives opportunity for manipulatory practices and abuses. A dealer may buy on one set of grades that exact high quality and sell at correspondingly higher prices under less exacting standards. This is especially true where the same grade names are applied to different qualities by different exchanges or associations. This can be illustrated by an example in the cotton trade. No doubt similar cases are of most frequent occurrence in the grain trade.

Last fall the department, under the writer's direction, conducted a survey of cotton marketing conditions in the primary markets of Oklahoma. During the course of this work between three and four thousand individual bales of cotton were sampled and records made of date, place of sale, and the price paid to the farmer. A single case will serve to illustrate the conditions found. On November 26, a collection of samples was secured from twenty-one bales sold by a number of different farmers at Ardmore, one of the largest primary markets in Oklahoma. These bales showed a wide variation in grade, but a marked similarity in price. They were not sold in a round lot at average figures, as slight variations in price occurred in almost every pair of bales. The department's expert classer found that the samples taken from these twenty-one bales graded as follows: 1, good middling (which was the highest grade bale in the lot, and then down to the lower grades, as follows); 3, good middling spotted; 2, good middling light tinged; 3, strict middling; 3, strict middling spotted; 1, strict middling tinged; 1, middling; 3, middling spotted; 1, middling tinged; 3, strict low middling.

The extreme variation in price was one cent per pound, which was not sufficient when the wide range of quality was considered. The interesting fact developed was this: The highest price paid per pound ($12\frac{1}{2}$ cents) was given for one of the good middling spotted bales, while the lowest price in the lot per pound ($11\frac{1}{2}$ cents) was paid for the good middling bale, the best one in the entire lot of twenty-one. We have here the peculiar condition of a variation of \$5 per bale, not occurring between the highest and lowest bales in the lot, but between two of the very best bales. The best bale in the lot sold for 35 points less than the poorest one.

There has been a constantly increasing tendency to lower the standards in grain under the present systems of grading and inspection and to give the benefit of the doubt to the seller. The result of this practice, which at first glance gives apparent advantage to the grower, will be to give the careless producer or the dealer in lower grades better prices for these lower grades, thus gradually depressing prices on all grades. Buyers will surely attempt to defend themselves by buying safe. This tends to discredit all grades and works a hardship on the better class of growers, who are the very ones who deserve aid and discrimination in their favor. The greatest use of grades at present is in dealings between buyers and between merchants and manufacturers. They are rarely of direct benefit in most crops to the farmer, but serve a useful purpose in settling squabbles between middlemen. This is a condition which deserves early correction. The farmer should be paid for the grade which he produces. Its quality, whether good or bad, is due to his care or indifference. In the former case he deserves encouragement, and in the latter such discrimination as will force him to produce a better product.

In connection with the work on grades and standards, we must have distinctive terms which can be accurately understood as applying to a given quantity of produce. These should be based on present trade practices in the handling of various commodities and on the requirements of modern consumers. This may require legislation as to size and weight of packages, their labeling, designation, brands and description.

Legislation has already been enacted in certain states in this direction and other states should follow at an early date. We should probably also have a national law unifying the enactments of the various states.

2. Coöperative Marketing and Distribution

This work will include a study of existing marketing organizations and compilation of laws, state and national, affecting organized production and distribution, and the promotion of new marketing organizations and consumers' leagues, in so far as these activities may be carried on within the authority of the department. Coöperation is no longer an experiment, even in this country, while in other countries, notably, Denmark, Ireland, Holland, Germany and other European states, it has been in successful operation for many years. It is the only system of organization adapted to the farming industry. The need of organization, not only of the business of farming, but of country life as a whole, no one will deny. The city is an emphasized form of organization. Hence the attractions of the city, its comforts and conveniences.

Country life is unorganized and as a consequence it is unable to command the many features which attract the best blood of the country to the city. This probably explains the great movement away from the rural community to the urban community. If our agriculture is to meet modern conditions successfully, it must be organized and the tide cityward stemmed and turned back to the country.

At present, the brains and red blood of the farm are going into the manufacturing and other industries in which brains are not nearly as essential as on the farm. Factories have overseers who largely do the thinking for the whole enterprise. It would be much more in accord with reason if the failures of the country moved to the city and the country attracted the brains to it where its use is highly essential.

In connection with the coöperative organization work we hope not only to carry on investigations, but to give concrete sensible help wherever we can, according to the men and means at our disposal. In changing to the coöperative system we must be reasonable in our expectations. Too many people think it a panacea for all their economic ills. They expect money returns wholly beyond any to which the facts entitle them. In our work we hope for but do not promise these. We will be satisfied with a little better prices for the producer and probably slightly lower costs or better products at the same price for the consumer.

Coöperative organizations on the land will not of themselves be sufficient, as economy there effected may easily be absorbed at some later stage of distribution, thus again benefiting him who deserveth not. Only by performing some or, where possible, all of the functions of our present middleman system can we hope to return to the farmer all of the benefits to which coöperation entitles him.

Much time has recently been spent in abusing the middleman; possibly he does get more than he earns, possibly there are too many of him, in fact there is no doubt on this latter point, but until some efficient machine is developed to take his place, supplement him, or regulate him, he is a necessary factor. Changes in our system should be constructive and not destructive. In other words, his activities should not be dispensed with, but should be directed into more useful channels. The test of any factor in our whole system should be service; it should be useful service; those who are not rendering it should make way.

3. Surveys of Supply and Demand and Demonstrations in the Organization of Consumers

This work should include surveys of consumption in definite localities and educational and organization work among consumers with a view to establishing direct dealings with organized producers and to extending the use of produce now wasted, which could be brought to the consumer more cheaply by direct dealing. Part of this work would include the development of larger markets for certain classes of commodities by publicity and education. Many excellent products are now thrown away because of ignorance about them, or prejudice against them.

Under our present system the consumer practically never receives any benefit from the production of an unusually large crop. You might say that the middleman gets a sore throat or some other form of indisposition every time the grower makes a big crop. Hence, he is unable to perform his normal functions and the benefits of larger production are lost both to the producer and the consumer. Frankly, our present intermediary is not interested in handling to as good an advantage as possible the whole produce of the land. This is not surprising as he wants to make as much money as possible with as low an expense cost as possible, which means handling as little material as possible. Keeping up the price accomplishes this result. Hence,

we have the anomaly of melons being dumped into New York harbor by the car load, while the price is still so high that the common people cannot afford to buy them. And likewise upon occasion with many other perishable food products.

The farmer very rarely, or perhaps never, actually overproduces a given crop. Our distributing machine is so imperfect that we fail to deliver the surplus product to those markets where there is no glut. In fact what we call glutting at the present time, is not really glutting at all. A market is not glutted until its consuming public cannot absorb further supplies of a given product. Here again we must develop coöperation, especially amongst consumers for the purpose of cheapening terminal market distribution. If the Texas melon grower can prosper with melons selling f. o. b. his station at from 5 to 10 cents, we ought to develop a distributing system which would enable the consumer to get his produce at a much cheaper price.

There should also be made a study of methods by which consumers might buy in larger quantities, of improved cellar construction, of small cold storage units and other methods that might be devised whereby a larger proportion of city dwellers could buy potatoes and apples by the barrel and other necessities in correspondingly larger quantities.

4. Study of Methods and Cost of Distribution

This work will include an investigation of present commercial methods of distribution, prices received by the producer, cost of transportation, storage, etc.; changes of ownership or possession between producer and consumer, accumulated charges, costs and ultimate prices and profits at each step in the process by individual products or classes of products.

It will also include a study of existing coöperative organizations for marketing farm products, together with a determination of cost and general advantages and disadvantages of this method as compared with the commercial system. Only in this way can we obtain a true measure of the benefits to be secured by a general introduction of coöperative methods. In connection with this work comparisons are also to be made between the efficiency of coöperative and commercial methods at home with those in practice in certain foreign countries, which have been held up to us as models for a number of years. We

have been told many times that Denmark markets its butter more economically than we do and that the producer gets a higher portion of the price paid by the consumer; there is need to get some actual comparative figures on this and other similar points.

5. Study of Transportation Problems and Assistance to Producing Organizations in Securing Suitable Transportation Facilities

Producers and shippers are entitled to many considerations which they do not at present receive, but which the railroads in many cases would be perfectly willing to give upon a proper presentation of facts. Nearly all of our railroad systems are doing good work in assisting in the solution of the problems of agricultural production. There is not the slightest doubt but that they will render similar assistance in distribution and marketing. In connection with this work the services of a transportation specialist are to be secured who will assist the producer, after determination of facts, in securing necessary or desirable concessions directly from the railroads and in cases of unjust discrimination, intervening with the Interstate Commerce Commission, in their behalf through the office of the department's solicitor. This specialist would also conduct investigations of the feasibility and cost of various methods of retail distribution. He would familiarize himself with the causes of car famines, irregularities and discrimination in car distribution and also undertake experimental demonstrations in distribution through hamper systems, and parcel post, or express. He would also be in a position to advise growers' associations as to the technical points involved in railroad transportation of perishable and other farm products.

6. Market News Service for Perishable Products

Practically every person who speaks about the work of the new Office of Markets appears to be under the impression that the department proposes to conduct a market news service through which producers may be advised as to what market they should ship to. It is our present impression that a comprehensive and detailed service of this kind would be utterly impossible, both on account of its great cost and the dangerous difficulties that it would present. Nevertheless, we do intend to take up an investigation of the practicability of

possible methods, and the cost of conducting such a service. If found to be feasible, it might perform the following functions: collect and distribute daily information relating to the conditions of supply and demand in the leading market centers, shipments en route their destination and probable date of arrival, progress of planting and areas planted, collected and distributed weekly during the planting season, information concerning the growing crop, concerning the relation of supply to demand, disseminated as occasion demands. It is certain that the practicability of such a service should be most carefully looked into and that in some rather modest way much good might be done. The California Citrus Exchange, a most efficient co-operative organization, conducts such a service. Its total cost is about \$625,000 per year, \$75,000 of which is for telegraphic charges alone. With such a cost for 65 per cent of one very restricted industry you can easily see how great would be the cost to carry on such work on a national scale.

As stated above, the difficulties of the work which is being begun are realized. Its value and success will depend on whether it increases the farmers' income a little, at the same time reducing the ultimate consumers' cost to some extent, or bringing them better products at the same price. It is intended that the work shall be definitely practical, and, though founded on sound economic bases, not academic.